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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS 10/23/07

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(2) China unveils new leadership

Yomiuri:  
(1) MHLW repeating "AIDS folly"  
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Nikkei:  
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Sankei:  
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3) Prime Minister's Official Residence (Kantei)

Prime Minister's schedule, October 22

NIKKEI (Page 2) (Full)  
October 23, 2007

08:49  
Met Japan-Australia Economic Committee Chairman Takashi Imai at the Imperial Hotel. Attended a joint meeting.

10:21  
Met Japan Federation of Commercial Broadcast Workers' Unions Chairman Hirose and Vice Chairman Mabe. Followed by Finance Minister Nukaga and others.

11:35  
Met Vice Health, Labor and Welfare Minister Edogawa.

12:53  
Met Chief Cabinet Secretary Machimura.

13:55  
Vice Education Minister Zeniya.

15:06  
Met Indonesia Local Representatives Conference Chairman Ginanjar.  
Later met Vice Foreign Minister Yachi.

16:17  
Met Special Advisor Yamatani.

17:02  
Attended a party executive meeting in the Diet building.

17:31  
Attended a meeting by the government and the ruling coalition on social security and tax reform at the Kantei.

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18:11  
Attended a meeting of cabinet ministers responsible for monthly economic reports.

19:11  
Met Research Commission on Foreign Affairs Chairman Yamasaki.

20:05  
Met his secretaries at the Grand Prince Hotel Akasaka.

21:36  
Returned to his private residence in Nozawa.

4) Ruling camp accepts demand for summoning Vice Defense Minister Moriya to Diet as sworn witness

ASAHI (Top Play) (Excerpts)  
October 23, 2007

The Liberal Democratic Party and the New Komeito decided yesterday to agree to a demand by the opposition camp to summon former Vice Defense Minister Takemasa Moriya to appear before the Diet as a sworn witness to question him over allegations that he had been receiving favors from a former executive of Yamada Yoko Corp., a trading firm specializing in defense and aircraft equipment. Now that Moriya has admitted he had been treated to free golf in violation of the Self-Defense Forces' code of ethics, the coalition judged it unavoidable to respond to the opposition camp's demand. The ruling coalition conveyed the decision to the Democratic Party of Japan (DPJ) and other opposition parties. Though both camps have yet to agree on a date, Moriya is likely to be summoned early next week.

The government will hold a question and answer session at a House of Representatives plenary meeting today on a bill to extend the Maritime Self-Defense Force's refueling mission in the Indian Ocean. Executive members of the Lower House special antiterrorism committee from the ruling and opposition parties met yesterday afternoon to set a schedule for deliberations after the plenary session. The opposition camp made it a condition for starting deliberations at the committee to summon Moriya and other key figures to the Diet as sworn witnesses. The ruling coalition proposed last night that both sides should hold sessions on Oct. 24-25 and then determine a specific date and methods for summons after the session on Oct. 25. But DPJ committee head Yoshio Hachiro claimed: "Moriya and others should be summoned before the deliberations." Both sides failed to agree on a date.

5) Prosecutors probe Yamada Corp.'s US office

YOMIURI (Top play) (Abridged)  
October 23, 2007

The Tokyo District Public Prosecutors Office has asked US judiciary authorities for investigative cooperation in order to probe a US-based subsidiary of Yamada Corporation, sources have revealed. Its task force sent prosecutors to the United States early this month, suspecting the subsidiary's deceptive accounting, the sources said. Yamada Corporation, headquartered in Tokyo's Minato-ku, is a trading firm in the aeronautic and defense area. The trading house has been closely tied to Takemasa Moriya, 63, formerly an

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administrative vice minister at the Defense Ministry, and this fact is seen as a problem. The task force has now already questioned executives at Yamada Corporation, as well as those at another trading company that was established by a 69-year-old former managing director of Yamada Corporation. The task force is believed to be looking carefully into the flow of murky money involving the two trading companies.

When Moriya was in the post of administrative vice defense minister, a former managing director of Yamada Corporation frequently marshaled him into customer golf. This former executive also used to dine and wine Moriya after playing golf.

Yamada International Corporation (YIC), a US-based affiliate of Yamada Corporation, is now suspected of having practiced deceptive accounting. YIC locates its US head office in Washington, branching out in New York and Los Angeles. Its former president, 70, is said to be close to the former managing director. In June last year, the former managing director retired from Yamada Corporation. After that, the former YIC president also retired and became a representative director of Nihon Mirise USA Inc., the Los Angeles-based US main office of Nihon Mirise Corporation (NMC), a trading house founded by the former managing director and headquartered in Tokyo's Minato-ku.

According to Yamada Corp. sources, YIC scraped up off-the-book money-adding up to several hundred million yen-with deceptive accounting practices. "Yamada International is strongly suspected of having used some of the money to entertain the former Defense Agency's senior officials on official trips to the United States and US defense-related business executives," one of the sources said. The source also said that YIC has pooled the money. However, about 100 million yen out of the pooled money has been lost since the former president went to NMC, according to the source.

6) Concern over impact of scandal involving former Administrative Vice Defense Minister Moriya on CX engine, though some predict only limited impact

YOMIURI (Page 4) (Full)  
October 23, 2007

Following the revelation that former Administrative Vice Defense Minister Takemasa Moriya had improper relations with a trading company specializing in the defense area, voices concerning a possible impact of the incident on the Air Self-Defense Force introducing the next-generation transport aircraft codenamed CX. The CX, successor aircraft to C1 transport planes, is now being developed domestically. The development, which started in fiscal 2001, is expected to be completed in fiscal 2011. Regarding the procurement of engines for CX transport aircraft, it was decided in August 2003 to procure engines produced by General Electric Co. (GE). The Defense Ministry purchased five engines for a development purpose from Yamada Corp. specializing in defense equipment, which has an agency contract with GE.

However, a former senior managing director of Yamada Corp. who had treated Moriya to free rounds of golf, and wining and dining, established his own company Nihon Mirise Corp. (NMC). GE later changed its agency in Japan from Yamada Corp. to NMC. Since then, friction has been continuing between the two companies with Yamada Corp. filing a suit against NMC and the former senior managing

director, asking for compensation.

The Defense Ministry plans to procure another engine for a CX transport aircraft for a development purpose this fiscal year as well. It was set to procure through NMC, which has a contract with GE. However, no prospects have been obtained for procuring a GE engine due in part to the trouble.

However, as one senior official of the Air Staff Office said, "Even if it is not possible to select a company that deals with the procurement of a sixth engine, we can press ahead with efforts, while engaging in the development. There will be no impact on such matters as the time to equip it on a CX transport aircraft," some take the view that the impact of the scandal involving Moriya on the CX engine will be limited.

7) Yamada Yoko Corp. contributed 6 million yen to Ozawa

YOMIURI (Page 2) (Full)  
October 23, 2007

The office of Democratic Party of Japan (DPJ) President Ozawa announced yesterday that his two political organizations had received a total of 6 million yen in political donations from Yamada Yoko Corp., a trading firm specializing in defense and aircraft equipment. The office said that it will return all the money.

According to the office, the Rikusankai, Ozawa's funds management organization, received 500,000 yen in donations every year from 1995 through 1999, totaling 2.5 million yen. The Jiyuto (Liberal Party) Iwate prefecture 4th branch office, headed by Ozawa, received 500,000 yen during a period from 2000 through 2003, and from 2004 through 2006, the DPJ Iwate prefecture 4th branch office got the same amount every year, totaling 3.5 million yen.

An office member said: "We will take the necessary procedures to return the total amount of money to Yamada Yoko Corp. on the morning of the 23rd. Although there are no cozy ties with the company, we decided to return the money so as not to invite misunderstanding."

8) Yachi to visit US

MAINICHI (Page 3) (Full)  
October 23, 2007

Administrative Vice Foreign Minister Shotaro Yachi will visit the United States on an Oct. 24-27 schedule to meet with Deputy Secretary of State Negroponte and other US government officials, the

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Foreign Ministry announced yesterday. Yachi will talk with them about a new antiterror legislative measure and Japan's host nation support ("omoiyari yosan" or "sympathy budget") for US forces in Japan. Asian and Oceanian Affairs Bureau Director General Kenichiro Sasae and other Foreign Ministry officials will also leave for the United States today. Sasae will meet with his US counterparts, including Assistant Secretary of State Hill, chief delegate to the six-party talks over North Korea's nuclear issue.

9) Defense minister orders committee to produce final report this month on correction of oil and discarded log by MSDF

YOMIURI (Page 4) (Full)  
October 23, 2007

In the wake of the revelation of a series of improprieties, including the correction of the amount of oil provided to a US oiler by the Maritime Self-Defense Force, the Defense Ministry yesterday held an inaugural meeting of the committee to study ways to ensure civilian control, chaired by Defense Minister Shigeru Ishiba. Ishiba ordered the committee to produce a final report before the end of

the month on the correction of the amount of oil provided to the US refueler and a logbook discarded by the MSDF.

Ishiba started off the meeting with the remark, "Closely associated with civilian control, these are extremely vital." He then ordered the committee to study the following before the end of current fiscal year to report back to him: (1) a review of the organization, including the relationship between the SDF personnel and Defense Ministry internal bureaus officials, (2) a review of external explanations, including Diet replies by SDF personnel, (3) educational and mentality reforms, and (4) a review of paperwork on checking Diet replies.

Reports presented by the Defense Ministry to the ruling and opposition parties yesterday made it clear that although a section chief of the Maritime Staff Office had been aware of the erroneous data on the amount of oil six days before then Defense Agency Director-General Ishiba was to report on the incorrect amount at the Diet on May 15, 2003, the section chief failed to report on it to his superior.

Afterward, the section chief has been serving as a state-paid secretary to Liberal Democratic Party lawmaker Satsuki Katayama. He

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tendered a resignation to Katayama yesterday.

10) Outline of the report compiled by the Defense Ministry

YOMIURI (Page 4) (Full)  
October 23, 2007

(Correction to the amount of fuel supplied)

? Maritime Self-Defense (MSDF) supply vessel Tokiwa on Feb. 25, 2003 supplied approximately 800,000 gallons of fuel to the US oiler Pecos. Around Feb. 26, the Maritime Staff Office Operations and Plants Department Operations Division erroneously entered the amount supplied.

? The director of the division and several others realized the error on May 9 the same year. However, they did not report the error to their superiors in the idea that another bureau was responsible for fuel matters and that the issue of indirect supply of fuel to the aircraft carrier Kitty Hawk was quieting down.

(Disposal of logbook)

? A crewmember of the supply vessel Towada on July 26, 2007, put the ship's logbooks covering from July through December 2003 through a shredder by mistake without obtaining approval from the captain. The shredded documents were then incinerated.

11) Maritime Staff Office section chief recognized error involving amount of supplied oil before then Chief Cabinet Secretary Fukuda's press conference

ASAHI (Page 1) (Full)

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October 23, 2007

It was learned yesterday that although a section chief of the Maritime Staff Office had recognized on May 9, 2003, the misreporting of the amount of oil (actually 800,000 gallons) supplied by a Maritime Self-Defense Force (MSDF) supply vessel to a US tanker in February 2003, he had not reported it to his superior. Prime Minister Fukuda (then chief cabinet secretary) therefore had to report in a press conference that the amount was "about 200,000 gallons." The information-sharing and crisis-management systems in the government are likely to be called into question.

According a report (compiled by the Defense Ministry), the section chief noticed the error on May 9, but since he did not report it to his superior, then Chief Cabinet Secretary Fukuda in a press conference on the afternoon of the same day and then Defense Agency Director General Ishiba in a Diet reply on Oct. 15 both said the

amount of supplied oil was 200,000 gallons.

Moreover, according to the report, the force deployed in the Indian Ocean constantly sent accurate data to the Maritime Staff Office section. Without checking such data, then Joint Staff Council Chairman Toru Ishikawa announced at a news conference on May 8 that the amount was 200,000 gallons. Based on this announcement, the government reportedly drew up guidelines for Diet replies

12) "The series of scandals involving the Defense Ministry are regrettable," says prime minister, considering their possible impact on new antiterror legislation

YOMIURI (Page 4) (Full)  
October 23, 2007

Regarding the possible impact of a series of scandals involving the Defense Ministry on the new antiterror special measures legislation, Prime Minister Fukuda yesterday evening noted, "It is very regrettable that scandals occurred right on our doorstep. I hope the new legislation and international cooperation will be considered separately. But it will be difficult." He thus indicated his view that scandals involving the Defense Ministry are bound to affect Diet deliberations on the legislation. Fukuda then once again indicated his intention to aim for passage of the new legislation during the current Diet session, noting, "I hope the legislation will obtain Diet approval, if possible. We must do our utmost in order to realize that." He made these comments to reporters at the Prime Minister's Official Residence (Kantei).

13) MOF counters MOFA opposition to ODA cut, saying, "Japan's ODA still ranks first among G-7 nations"

YOMIURI (Page 9) (Full)  
October 23, 2007

The Ministry of Finance (MOF) yesterday countered the Ministry of Foreign Affairs' (MOFA) opposition to cut official development assistance (ODA), providing data to the Fiscal System Etc., Council, an advisory panel reporting to the finance minister. The data indicated that Japan's ODA continues to rank first among the Group of Seven industrialized countries in term of a ratio to its national tax revenues.

Japan had been competing for the no. 1 ODA donor slot with the US

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since the late 1980s. However, following a series of cuts in the ODA budget in the wake of the nation's fiscal reconstruction policy, it gave up first place to the US in 2006. The second spot went to Britain. The ODA budget for fiscal 2007 (72.93 billion yen) dropped to nearly 40 PERCENT smaller than the peak level recorded in fiscal 1997.

However, according to the data provided by MOF, the ratio of Japan's ODA to its national tax revenues was 2.5 PERCENT in 2006. It has maintained the top slot for the nine consecutive years. MOF insisted that the point that Japan's position in the international community has declined is irrelevant." MOFA has requested 815.3 billion yen in its general-account budget request for fiscal 2008, up 11.8 PERCENT from the fiscal 2007 level. However, MOF intends to slash the ODA budget by 3 PERCENT from the fiscal 2007 level as stipulated in the budget request guidelines.

SCHIEFFER